



# House of Representatives

**File No. 672**

General Assembly

February Session, 2018

**(Reprint of File No. 254)**

Substitute House Bill No. 5405  
As Amended by House  
Amendment Schedule "A"

Approved by the Legislative Commissioner  
May 3, 2018

## ***AN ACT CONCERNING CONNECTICUT CREDIT UNIONS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-251a of the general statutes is repealed and  
2 the following is substituted in lieu thereof (*Effective October 1, 2018*):

3 The commissioner shall submit an annual report to the joint  
4 standing committee of the General Assembly having cognizance of  
5 matters relating to banks and credit unions no later than January first.  
6 The report shall summarize the commissioner's actions taken pursuant  
7 to section 36a-70, 36a-139a, [or] subdivisions (40) and (41) [and (42)] of  
8 subsection (a) of section 36a-250 or subdivisions (22) and (23) of section  
9 36a-455a, as amended by this act.

10 Sec. 2. Subsection (a) of section 36a-448a of the general statutes is  
11 repealed and the following is substituted in lieu thereof (*Effective*  
12 *October 1, 2018*):

13 (a) The governing board of a Connecticut credit union shall be  
14 charged with and have control over the general management of the

15 operations, funds, committee actions and records of the credit union.  
16 Except to the extent the governing board is otherwise authorized to  
17 delegate such authority or unless such action would be detrimental to  
18 the financial integrity of the Connecticut credit union, the governing  
19 board shall: (1) Establish and adopt written policies necessary to  
20 implement the powers of the credit union, which policies shall be  
21 approved and reviewed [on at least an annual basis] when amended or  
22 as otherwise required by the Connecticut Credit Union Act, including  
23 policies governing: (A) Lending in accordance with sections 36a-457a,  
24 as amended by this act, 36a-457b, as amended by this act, and 36a-  
25 458a, (B) investments in accordance with subsection (a) of section 36a-  
26 459a, as amended by this act, (C) employment and personnel, (D)  
27 funds management, (E) collections, (F) charge-offs, (G) conditions of  
28 membership, and expulsion of members in accordance with subsection  
29 (b) of section 36a-439a, (H) charitable contributions, and (I) conflicts of  
30 interest in accordance with sections 36a-454b and 36a-458a; (2) make  
31 adequate provision for an allowance for investment losses account in  
32 accordance with generally accepted accounting principles and for an  
33 allowance for a loan and lease losses account in accordance with  
34 generally accepted accounting principles and section 36a-441a; (3)  
35 declare dividends in accordance with sections 36a-441a and 36a-456c;  
36 (4) authorize interest refunds to members; (5) determine the maximum  
37 amount of shares that a member may own; (6) establish different  
38 classes of share accounts, including special purpose accounts, classified  
39 according to different rights and restrictions; (7) appoint and authorize  
40 members of senior management to conduct and supervise the business  
41 of the Connecticut credit union and to approve all usual expenditures  
42 incident to the conduct of the business of the Connecticut credit union;  
43 (8) cause to be obtained and maintained in full force and effect at all  
44 times the bond required by subsection (e) of section 36a-437a, and  
45 subsection (b) of section 36a-442a; (9) approve loans in accordance with  
46 the bylaws of the Connecticut credit union and cause to be prepared  
47 each month and maintained on file in the main office of the  
48 Connecticut credit union a list of all delinquent loans; (10) authorize  
49 any extraordinary expenditures necessary or appropriate for the

50 conduct of the business of the Connecticut credit union; (11) establish a  
51 supervisory committee and appoint its members and may establish  
52 and appoint members to other committees consistent with its bylaws  
53 to carry out the business of the credit union, which committees shall  
54 keep complete minutes of all actions taken; (12) fill any vacancies that  
55 may arise among the directors, senior management or members of  
56 board-appointed committees, in accordance with this section and in  
57 the manner provided in the bylaws; and (13) exercise such other  
58 authority and perform such other duties as prescribed by sections 36a-  
59 435a to 36a-472a, inclusive, and the bylaws.

60 Sec. 3. Section 36a-440a of the general statutes is repealed and the  
61 following is substituted in lieu thereof (*Effective October 1, 2018*):

62 (a) A Connecticut credit union shall hold an annual meeting as  
63 provided in its bylaws. Special meetings of members shall be held as  
64 provided in the bylaws and shall be called by the governing board at  
65 the request of a majority of the governing board, at the written request  
66 of the supervisory committee, or ten per cent of the members of the  
67 credit union or such lesser percentage of such members as provided in  
68 the bylaws.

69 (b) Notice of each annual or special meeting shall be given to each  
70 member in writing, which may include electronic means, by the  
71 secretary at least ten days prior to the annual or special meeting. In the  
72 case of a special meeting, the notice shall clearly state the purpose of  
73 the meeting and the matters that will be considered.

74 (c) (1) Each member in good standing shall have a single vote at all  
75 meetings notwithstanding the number of shares or number of accounts  
76 that such member holds.

77 (2) A member may not vote or hold office if the member is less than  
78 eighteen years of age.

79 (3) Unless provided otherwise in the bylaws, a member entitled to  
80 vote may vote in person, by proxy, by electronic means or by mail

81 ballot.

82 Sec. 4. Section 36a-455a of the general statutes is repealed and the  
83 following is substituted in lieu thereof (*Effective October 1, 2018*):

84 A Connecticut credit union may:

85 (1) Transact a general credit union business and exercise by its  
86 governing board or duly authorized members of senior management,  
87 subject to applicable law, all such incidental powers as are consistent  
88 with its purposes. The express powers authorized for a Connecticut  
89 credit union under this section do not preclude the existence of  
90 additional powers deemed to be incidental to the transaction of a  
91 general credit union business pursuant to this subdivision;

92 (2) (A) Issue shares to its members and receive payments on shares  
93 from its members and from those nonmembers specified in subsection  
94 (e) of section 36a-456a, subject to the provisions of sections 36a-290 to  
95 36a-297, inclusive, 36a-330 to 36a-338, inclusive, and 36a-456a, (B)  
96 receive deposits of members and nonmembers subject to provisions of  
97 sections 36a-456a and 36a-456b, (C) reduce the amount of its member  
98 and nonmember shares and deposits, (D) expel members and cancel  
99 shares in accordance with section 36a-439a, and (E) provide check  
100 cashing and wire and electronic transfer services to nonmembers who  
101 are within such credit union's field of membership;

102 (3) Make and use its best efforts to make secured and unsecured  
103 loans and other extensions of credit to its members in accordance with  
104 section 36a-265 and sections 36a-457a, as amended by this act, 36a-  
105 457b, as amended by this act, and 36a-458a;

106 (4) Invest its funds in accordance with section 36a-459a, as amended  
107 by this act;

108 (5) Declare and pay dividends in accordance with sections 36a-441a  
109 and 36a-456c, and pay interest refunds to borrowers;

110 (6) Act as a finder or agent for the sale of insurance and fixed and

111 variable rate annuities directly, sell insurance and such annuities  
112 indirectly through a Connecticut credit union service organization, or  
113 enter into arrangements with third-party marketing organizations for  
114 the sale by such third-party marketing organizations of insurance or  
115 such annuities on the premises of the Connecticut credit union or to  
116 members of the Connecticut credit union, provided: (A) Such  
117 insurance and annuities are issued or purchased by or from an  
118 insurance company licensed in accordance with section 38a-41; and (B)  
119 the Connecticut credit union, Connecticut credit union service  
120 organization or third-party marketing organization, and any officer  
121 and employee thereof, shall be licensed as required by section 38a-769  
122 before engaging in any of the activities authorized by this subdivision.  
123 As used in this subdivision, "annuities" and "insurance" have the same  
124 meanings as set forth in section 38a-41, except that "insurance" does  
125 not include title insurance. The provisions of this subdivision do not  
126 authorize a Connecticut credit union or Connecticut credit union  
127 service organization to underwrite insurance or annuities;

128 (7) Borrow money to an amount not exceeding fifty per cent of the  
129 total assets of the Connecticut credit union provided the credit union  
130 shall give prior notice to the commissioner in writing of its intention to  
131 borrow amounts in excess of thirty-five per cent of its total assets;

132 (8) Act as fiscal agent for the federal government, this state or any  
133 agency or political subdivision thereof;

134 (9) Provide loan processing, loan servicing, member check and  
135 money order cashing services, disbursement of share withdrawals and  
136 loan proceeds, money orders, internal audits, automated teller  
137 machine services, ACH and wire transfer services, prepaid debit cards,  
138 payroll cards, digital wallet services, coin and currency services,  
139 remote deposit capture services, electronic banking and other similar  
140 services to other Connecticut credit unions, federal credit unions,  
141 federally insured financial institutions and out-of-state credit unions;

142 (10) Provide finder services to its members, including the offering of

143 third party products and services through the sale of advertising space  
144 on its web site, account statements and receipts, and the sale of  
145 statistical or consumer financial information to outside vendors in  
146 accordance with sections 36a-40 to 36a-45, inclusive, in order to  
147 facilitate the sale of such products to the members of such Connecticut  
148 credit union;

149 (11) With the prior approval of the commissioner, exercise fiduciary  
150 powers;

151 (12) Maintain and rent safe deposit boxes within suitably  
152 constructed vaults, provided the Connecticut credit union has  
153 adequate insurance coverage for losses related to such rental;

154 (13) Provide certification services, including notary services,  
155 signature guaranties, certification of electronic signatures and share  
156 draft certifications;

157 (14) Act as agent (A) in the collection of taxes for any qualified  
158 treasurer of any taxing district or qualified collector of taxes, or (B) for  
159 any electric distribution, gas, water or telephone company operating  
160 within this state in receiving moneys due such company for utility  
161 services furnished by it;

162 (15) Issue and sell securities which (A) are guaranteed by the  
163 Federal National Mortgage Association or any other agency or  
164 instrumentality authorized by state or federal law to create a  
165 secondary market with respect to extensions of credit of the type  
166 originated by the Connecticut credit union, or (B) subject to the  
167 approval of the commissioner, relate to extensions of credit originated  
168 by the Connecticut credit union and are guaranteed or insured by a  
169 financial guaranty insurance company or comparable private entity;

170 (16) Establish a charitable fund, either in the form of a charitable  
171 trust or a nonprofit corporation to assist in making charitable  
172 contributions, provided (A) the trust or nonprofit corporation is  
173 exempt from federal income taxation and may accept charitable

174 contributions under Section 501 of the Internal Revenue Code of 1986,  
175 or any subsequent corresponding internal revenue code of the United  
176 States, as from time to time amended, (B) the trust or nonprofit  
177 corporation's operations are disclosed fully to the commissioner upon  
178 request, and (C) the trust department of the credit union or one or  
179 more directors or members of senior management of the credit union  
180 act as trustees or directors of the fund;

181 (17) In the discretion of a majority of its governing board, make  
182 contributions or gifts to or for the use of any corporation, trust or  
183 community chest, fund or foundation created or organized under the  
184 laws of the United States or of this state and organized and operated  
185 exclusively for charitable, educational or public welfare purposes, or of  
186 any hospital which is located in this state and which is exempt from  
187 federal income taxes and to which contributions are deductible under  
188 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent  
189 corresponding internal revenue code of the United States, as from time  
190 to time amended;

191 (18) Subject to the provisions of section 36a-455b, sell, pledge or  
192 assign any or all of its outstanding extensions of credit to any other  
193 lending institution, credit union service organization or quasi-  
194 governmental entity and any government-sponsored enterprise, and  
195 act as collecting, remitting and servicing agent in connection with any  
196 such extension of credit and charge for its acts as agent. Any such  
197 credit union may purchase the minimum amount of capital stock of  
198 such entity or enterprise if required by that entity or enterprise to be  
199 purchased in connection with the sale, pledge or assignment of  
200 extensions of credit to that entity or enterprise and may hold and  
201 dispose of such stock, provided that with respect to purchases of stock  
202 of a credit union service organization, the Connecticut credit union  
203 shall not exceed the limitations of section 36a-459a, as amended by this  
204 act. A Connecticut credit union may purchase one or more outstanding  
205 extensions of credit from any other lending institution and any  
206 federally-recognized Native American tribe, provided there exists a  
207 formal written agreement with tribal government to permit the credit

208 union to service and collect on such extensions of credit;

209 (19) Subject to the provisions of section 36a-455b, sell a participating  
210 interest in any or all of its outstanding extensions of credit to and  
211 purchase a participating interest in any or all of the outstanding  
212 extensions of credit of any financial institution or credit union service  
213 organization pursuant to an appropriate written participation and  
214 servicing agreement to be signed by all parties involved in such  
215 transaction;

216 (20) With the approval of the commissioner, join the Federal Home  
217 Loan Bank System and borrow funds as provided under federal law;

218 (21) Subject to the provisions of section 36a-455b, sell all or part of  
219 its assets, other than extensions of credit, to other lending institutions,  
220 purchase all or part of the assets, other than extensions of credit, of  
221 other lending institutions, and assume all or part of the shares and the  
222 liabilities of any other credit union or out-of-state credit union;

223 (22) With the prior written approval of the commissioner, engage in  
224 closely related activities, unless the commissioner determines that any  
225 such activity shall be conducted by a credit union service organization  
226 of the Connecticut credit union, utilizing such organizational,  
227 structural or other safeguards as the commissioner may require, in  
228 order to protect the Connecticut credit union from exposure to loss. As  
229 used in this subdivision, "closely related activities" means those  
230 activities that are closely related, convenient and necessary to the  
231 business of a Connecticut credit union, are reasonably related to the  
232 operation of a Connecticut credit union or are financial in nature  
233 including, but not limited to, business and professional services, data  
234 processing, courier and messenger services, credit-related activities,  
235 consumer services, services related to real estate, financial consulting,  
236 tax planning and preparation, community development activities, or  
237 any activities reasonably related to such activities;

238 (23) [With the approval of the commissioner, engage] Engage in any  
239 activity that a federal credit union or out-of-state credit union may be



240 authorized to engage in under state or federal law, [ The application  
241 for such approval shall be in writing and] provided the Connecticut  
242 credit union file with the commissioner prior written notice of its  
243 intention to engage in such activity. Such notice shall include a  
244 description of the activity, a description of the financial impact of the  
245 activity on the Connecticut credit union, citation of the legal authority  
246 to engage in the activity under state or federal law, a description of any  
247 limitations or restrictions imposed on such activity under state or  
248 federal law, and any other information that the commissioner may  
249 require. The Connecticut credit union may engage in any such activity  
250 unless the commissioner [shall approve or disapprove] disapproves  
251 such activity not later than thirty days after the [application] notice is  
252 filed. [is complete.] The commissioner may [impose any limitations or  
253 conditions] adopt regulations in accordance with chapter 54 to ensure  
254 that any such activity is conducted in a safe and sound manner with  
255 adequate consumer protections. The provisions of this subdivision do  
256 not authorize a Connecticut credit union or a Connecticut credit union  
257 service organization to sell title insurance.

258 Sec. 5. Subsection (a) of section 36a-457b of the 2018 supplement to  
259 the general statutes is repealed and the following is substituted in lieu  
260 thereof (*Effective October 1, 2018*):

261 (a) Subject to the requirements of this section, a Connecticut credit  
262 union may make one or more mortgage loans to its members. As used  
263 in this section, the term "mortgage loan" means a closed-end loan or  
264 line of credit secured wholly or substantially by a lien on or interest in  
265 real estate, including a leasehold interest, and which is secured by a  
266 one-to-four family residence that is [the primary] used as a personal  
267 residence of a member. [or by any other real estate provided the  
268 aggregate of the loans made by the credit union to such mortgagor that  
269 are secured by such other real estate do not exceed fifty thousand  
270 dollars.] As used in this section and section 36a-458a, the term "real  
271 estate" includes land and any structure and other improvement or  
272 equipment that is permanently attached to such land or structure. The  
273 term "mortgage loan" shall not include a member business loan, as

274 defined in section 36a-458a.

275 Sec. 6. Subsection (c) of section 36a-459a of the general statutes is  
276 repealed and the following is substituted in lieu thereof (*Effective*  
277 *October 1, 2018*):

278 (c) A Connecticut credit union may invest its funds, which are not  
279 committed to loans to members in: (1) Securities, obligations, or other  
280 instruments of, or issued by, or fully guaranteed as to principal and  
281 interest by the United States or any of its agencies or instrumentalities,  
282 or in any trusts established for investing directly or collectively in such  
283 instruments; (2) general obligations and revenue obligations of any  
284 state or territory of the United States, or any political subdivision  
285 thereof, provided such obligations are rated in the three highest rating  
286 categories by a rating service of such obligations recognized by the  
287 commissioner and no more than ten per cent of total assets may be  
288 invested in any one issuer; (3) obligations or other instruments or  
289 securities of the Student Loan Marketing Association; (4) federal funds,  
290 shares, share certificates or other share deposits of any other  
291 Connecticut credit union, federal credit union or out-of-state credit  
292 union whose share accounts or deposits are insured by the National  
293 Credit Union Administration, or its successor agency; (5) loans not  
294 exceeding twenty per cent of the lending credit union's total assets to  
295 any other Connecticut credit union, federal credit union or out-of-state  
296 credit union; (6) federal funds of or deposit accounts with a  
297 Connecticut bank, federal bank or out-of-state bank the accounts of  
298 which are insured by the Federal Deposit Insurance Corporation or its  
299 successor agency; (7) shares of, deposits with or loans to any federal  
300 reserve bank or any central liquidity facility established under state or  
301 federal law; (8) shares of, deposits with or loans to any corporate  
302 Connecticut credit union, corporate federal credit union or corporate  
303 out-of-state credit union; (9) shares of stock or obligations of or loans  
304 to a national or state credit union association or credit union  
305 corporation of which the credit union is a member, provided such  
306 investment does not constitute a controlling interest in such association  
307 or corporation or does not in the aggregate exceed one per cent of the

308 total assets of the credit union; (10) real estate and improvements  
309 thereon, furniture, fixtures and equipment for the present or future use  
310 of the Connecticut credit union, provided such investment may not in  
311 the aggregate exceed [five] twenty per cent of the total assets of the  
312 Connecticut credit union without the written approval of the  
313 commissioner; (11) debt mutual funds and equity mutual funds,  
314 provided the portfolios of such mutual funds consist solely of  
315 investments described in subdivisions (1) to (3), inclusive, of this  
316 subsection; (12) fixed or variable rate asset-backed securities,  
317 collateralized mortgage obligations and real estate mortgage  
318 investment conduits, except stripped mortgage-backed securities,  
319 residual interests, mortgage servicing rights, commercial mortgage  
320 related securities or small business-related securities; (13) money  
321 market funds rated in the three highest rating categories by a rating  
322 service of such funds recognized by the commissioner; (14) repurchase  
323 agreements and reverse repurchase agreements provided (A) the  
324 underlying securities are legal investments for Connecticut credit  
325 unions, (B) the Connecticut credit union receives a daily assessment of  
326 the market value of the underlying securities, including accrued  
327 interest, and maintains an adequate margin that reflects a risk  
328 assessment of the underlying securities and the term of the agreement,  
329 and (C) the Connecticut credit union has entered into signed contracts  
330 with all approved counterparties; and (15) Yankee dollar deposits,  
331 Eurodollar deposits, banker's acceptances, deposit notes and bank  
332 notes with original weighted average maturities of less than five years  
333 and issued by a Connecticut bank, federal bank or out-of-state bank.

334 Sec. 7. Subsection (a) of section 36a-457a of the general statutes is  
335 repealed and the following is substituted in lieu thereof (*Effective*  
336 *October 1, 2018*):

337 (a) [A] At least once a year, the governing board of each Connecticut  
338 credit union shall adopt [and implement] a written loan policy [that  
339 requires] governing loans made pursuant to sections 36a-457a to 36a-  
340 458a, inclusive, as amended by this act. The governing board of each  
341 Connecticut credit union shall develop and implement internal

342 controls that are reasonably designed to ensure compliance with such  
343 loan policy. The loan policy shall require written applications for all  
344 extensions of credit [, and addresses] and address the categories and  
345 types of secured and unsecured extensions of credit offered by the  
346 credit union, the manner in which mortgage loans, member business  
347 loans and insider loans will be made and approved, underwriting  
348 guidelines and collateral requirements, and, [which addresses,] in  
349 accordance with safety and soundness, acceptable standards for title  
350 review, title insurance and appraiser qualifications, procedures for the  
351 approval and selection of appraisers, appraisal and evaluation  
352 standards, and the credit union's administration of the appraisal and  
353 evaluation process. The commissioner may review a Connecticut credit  
354 union's loan policy and may order changes to be made to ensure safe  
355 and sound lending practices.

356 Sec. 8. Subsection (a) of section 36a-459a of the general statutes is  
357 repealed and the following is substituted in lieu thereof (*Effective*  
358 *October 1, 2018*):

359 (a) [The] At least once a year, the governing board of [a] each  
360 Connecticut credit union shall adopt [and implement] a written  
361 investment policy governing investments made pursuant to this  
362 section and securities trading, if any. No Connecticut credit union shall  
363 make any investment pursuant to this section unless the purchase and  
364 holding of such investment is consistent with such policy. The policy  
365 shall establish standards for the making of prudent investments which  
366 shall include (1) the rating of individual investments by nationally  
367 recognized rating services, if any, and (2) standards for diversification  
368 of the credit union's investment portfolio among industry categories.  
369 The policy shall provide for the frequent and periodic review by the  
370 credit union of investments made pursuant to the policy and shall  
371 provide for the reasonable and expeditious divestiture of investments  
372 which the governing board, upon its review, no longer deems prudent  
373 or consistent with the credit union's investment policy. The investment  
374 policy and any investment made pursuant to the policy shall be subject  
375 to the supervision of the commissioner concerning safe and sound

376 credit union practices.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	36a-251a
Sec. 2	<i>October 1, 2018</i>	36a-448a(a)
Sec. 3	<i>October 1, 2018</i>	36a-440a
Sec. 4	<i>October 1, 2018</i>	36a-455a
Sec. 5	<i>October 1, 2018</i>	36a-457b(a)
Sec. 6	<i>October 1, 2018</i>	36a-459a(c)
Sec. 7	<i>October 1, 2018</i>	36a-457a(a)
Sec. 8	<i>October 1, 2018</i>	36a-459a(a)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note******State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill makes conforming and other changes to statutes concerning credit unions that have no fiscal impact to the state or municipalities.

House "A" modifies the content of the commissioner's annual report to the Banking Committee and other changes that have no fiscal impact.

***The Out Years******State Impact:*** None***Municipal Impact:*** None

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**OLR Bill Analysis****sHB 5405 (as amended by House "A")\******AN ACT CONCERNING CONNECTICUT CREDIT UNIONS.*****SUMMARY**

This bill expands the authority of credit unions by allowing them to do the following:

1. engage in any activity that a federal or out-of-state credit union may do, unless the Department of Banking (DOB) commissioner timely disapproves of it;
2. make mortgage loans secured by a member's one-to-four family personal residence, even if it is not his or her primary residence;
3. invest up to 20%, rather than 5%, of a credit union's total asset value in real estate and improvements without needing commissioner approval; and
4. provide specific additional services such as wire transfer services, prepaid debit cards, and digital wallet services.

The bill decreases how often a credit union's governing board must approve and review its written policies that implement the credit union's powers, from at least annually to only when the policies are amended or as otherwise required by the state's credit union law. But it increases, to at least annually, the frequency of adopting specific written policies on making loans and investments.

The bill also allows credit union members to (1) receive electronic notice of a credit union's annual or special meeting and (2) vote electronically unless the credit union's bylaws prevent it (§ 3).

Lastly, it (1) modifies the subjects of an annual report the commissioner provides to the Banking Committee and (2) makes

various technical and conforming changes.

\*House Amendment "A" (1) modifies the contents of the commissioner's annual report to the Banking Committee; (2) allows, rather than requires, regulations to address consumer protection issues related to the expansion of credit union activities; (3) adds to the types of residential property that may secure a mortgage loan; (4) increases, from 10% to 20%, the threshold amount of investment in real estate and improvements requiring DOB approval; (5) adds the provisions on loan and investment policies; and (6) makes other minor and technical changes, including removing an incorrect reference to credit union "members."

EFFECTIVE DATE: October 1, 2018

## **§§ 4-6 — EXPANDED CREDIT UNION AUTHORITY**

### ***Additional Activities (§ 4)***

The bill generally allows credit unions to engage in activities that are available to federal or out-of-state credit unions under state or federal law, without the DOB commissioner's prior approval that current law requires.

Instead, under the bill, credit unions may engage in these activities if they give the commissioner prior written notice. Identical to the application requirements under current law, the notice must (1) describe the activity and its financial impact on the credit union, (2) cite the legal authority to engage in the activity, (3) describe any restrictions on the activity imposed by law, and (4) include any other information the commissioner may require.

Under the bill, the commissioner has 30 days after the credit union's notice is filed to disapprove of the activity.

The bill allows the commissioner to adopt associated regulations to address consumer protection related to these activities. Current law authorizes him to impose limitations or conditions on them.



***Mortgage Loans (§ 5)***

The bill allows credit unions to make mortgage loans to members secured by any one-to-four family residence that the member uses as a personal residence. Current law limits credit union mortgage loans by requiring that they be secured by (1) a one-to-four family residence that is the member's primary residence or (2) other real estate if the total loan amount is not greater than \$50,000.

Consequently, the bill expands credit union lending authority by allowing mortgage loans to be secured by such things as secondary homes or vacation residences.

***Funds Investment (§ 6)***

The bill increases, from 5% to 20%, the total asset threshold above which a credit union must obtain DOB commissioner approval for investing in real estate and improvements (e.g., furniture, fixtures, equipment). Current law requires a credit union to have commissioner approval to make this type of investment with credit union funds if the investment amount exceeds 5% of the credit union's total assets.

***Other Services (§ 4)***

The law specifies what services a credit union may provide. The bill allows them to provide these additional services:

1. wire transfer and Automated Clearing House (ACH) transfers,
2. prepaid debit cards,
3. payroll cards,
4. digital wallet services,
5. coin and currency services,
6. remote deposit capture services, and

7. electronic banking.

The law already allows credit unions to process and service loans, cash member checks and money orders, disburse share withdrawals and loan proceeds, provide money orders, conduct internal audits, and provide ATM services. They may also provide similar services to other state credit unions, federal credit unions, and out-of-state credit unions. The bill explicitly allows them to provide similar services to federally insured financial institutions (i.e., with federal deposit insurance).

## **§§ 2, 7-8 — CREDIT UNION BOARD POLICIES**

### ***Policy to Implement Credit Union Powers (§ 2)***

A credit union's governing board's powers are set in law and the board is responsible for the credit union's general management (e.g., operations, funds, committee actions, and records). Among its responsibilities, a board must establish and adopt written policies to carry out its authority.

Under current law, these written policies must be reviewed and approved at least annually. The bill instead requires this only when they are amended or as otherwise required by the Connecticut Credit Union Act.

### ***Loan and Investment Policies (§§ 7 & 8)***

By law, state credit unions must adopt written policies governing the loans and any investments they make. The bill requires each credit union's governing board to adopt these policies on at least an annual basis.

Regarding credit union loans, the bill requires each state credit union to develop and implement internal controls that are reasonably designed to ensure compliance with the loan policy. Existing law provides that the loan policy must require written applications to extend credit and include, among other things, the categories and types of credit available and the process for making and approving

loans. The DOB commissioner has the authority to review a loan policy and order revisions.

Under existing law, a credit union's investment policy must, among other things, set standards for making prudent investments. Credit union investments must be consistent with the investment policy. The policies and any investments credit unions make pursuant to those policies are subject to the DOB commissioner's supervision.

## **§ 1 — COMMISSIONER ANNUAL REPORT**

The bill requires the banking commissioner to report on his actions to let credit unions engage in (1) activities closely related to the business of credit unions and (2) the same activities as a federal or out-of-state credit union (see above). He must include this information in the annual report he submits to the Banking Committee under existing law.

The bill also (1) reinstates a requirement that the report include information on the commissioner's actions related to Connecticut-chartered banks engaging in closely related activities and (2) eliminates the requirement that it include information on the commissioner's actions related to banks acting as trustees or custodians for manufacturers establishing reinvestment accounts (PA 11-140 eliminated the former, and established the latter requirement).

## **COMMITTEE ACTION**

Banking Committee

Joint Favorable Substitute

Yea    19    Nay   0    (03/20/2018)